

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 L-02 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SIL-01 INRE-00 SSO-00 EURE-00 SAM-01

USIE-00 DODE-00 PA-01 PRS-01 SP-02 TRSE-00 OMB-01

OPIC-03 NSCE-00 SS-15 NSC-05 AID-05 CIEP-01 /069 W

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O 191139Z MAY 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 2814

LIMITED OFFICIAL USE LISBON 2778

E.O. 11652: N/A

TAGS: BDIS, ELAB, PO

SUBJECT: OTIS ELEVATOR

REF: STATE 114602, LISBON 2570, 2507

1. SEE LISBON 2507 FOR BACKGROUND.

2. FURTHER DETAILS FOLLOW: MANAGER REPORTED TO COMMERCIAL ATTACHE ON MAY 6 THAT NEGOTIATIONS BETWEEN WORKERS, LABOR MINISTRY AND MANAGEMENT WERE SCHEDULED TO RUN 15 DAYS. NOT CLEAR WHY THEY WERE BROKEN OFF AND WHY MANAGER LEFT COUNTRY.

3. APRIL 30 LOCK-OUT OF MANAGER REPORTEDLY PRECIPITATED BY MANAGEMENT PROPOSALS TO WORKERS TO CUT FINANCIAL LOSSES. PROPOSALS INCLUDED SHORTENED WORK WEEK WITH PROPORTIONATE REDUCTION IN PAY, CHANGES IN CONFIGURATION OF ASSEMBLY LINE FOR EFFICIENCY PURPOSES, AND CHANGES IN TOP MANAGEMENT POSITIONS. WORKERS GENERAL ASSEMBLY COMPLETELY REJECTED ALL OF ABOVE AND REQUESTED PURGE OF ONE OF TOP PORTUGUESE MANAGERS. WHEN FRENCH MANAGER AGREED TO HIS DISMISSAL WITH SEVERANCE PAY, PERSONNEL OFFICER REFUSED TO MAKE PAYMENT. ON LIMITED OFFICIAL USE

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MAY 6, MANAGER STATED THAT ONLY WAY TO RESOLVE DISPUTE TO

OTIS' SATISFACTION WOULD BE RETURN OF COMPLETE MANAGEMENT CONTROL TO HIM AND OBTAIN PERMISSION FROM LABOR MINISTRY TO DISMISS SOME AGITATORS AND SOME REDUNDANT WORKERS.

4. PLANT, WHICH EMPLOYS 300, REPORTED EXPORTS 60/70 PERCENT OF ITS PRODUCTION IN FORM OF COMPONENTS TO OTHER OTIS SUBSIDIARIES AND SELLS 30/40 PERCENT ON LOCAL MARKET AS ELEVATORS. DROP IN LOCAL DEMAND FOR ELEVATORS FROM 3,000 TO 500 NOT SURPRISING IN VIEW OF SEVERELY DEPRESSED CONSTRUCTION INDUSTRY. ACCORDING TO LOCAL MANAGER, OTIS BREAK-EVEN POINT FOR LOCAL PRODUCTION IS 500/600 ELEVATORS ANNUALLY; FIRST QUARTER PRODUCTION WAS ONLY 50/60. IN ADDITION, DEMAND FOR COMPONENTS BY OTHER OTIS SUBSIDIARIES DOWN 40 PERCENT, PARTIALLY BECAUSE OF DOUBT ABOUT ABILITY TO FILL ORDERS ON TIME.

5. EMBASSY RECEIVED REPORT LATE THURSDAY (MAY 15) THAT POLICEMAN HAD BEEN STATIONED IN FRONT HOTEL WHERE MANAGER WAS STAYING. REPORT ADDED THAT POLICEMAN WAS SENT THERE AT BEHEST OF WORKERS.

6. PARA E-STATE 114602 -- EMBASSY AWARE OF ONLY ONE CASE WHERE GOP REFUSED ALLOW BUSINESSMAN TO LEAVE COUNTRY. EMBASSY BELIEVES THAT THIS FEAR ON PART OTIS NOT JUSTIFIED ESPECIALLY IF GOP AWARE THAT EMBASSY KNOWS THAT OTIS REPRESENTATIVES ARE IN TOWN.

7. CONTEMPLATED OTIS ACTION, ESPECIALLY NON-PAYMENT OF SEVERANCE CLAIMS, RAISES SPECTER OF APPLIED MAGNETICS CASE WHICH HAS BEEN USED CONSTANTLY SINCE JULY 1974 IN ATTACKS ON MNCS. IMPLEMENTATION OF OTIS ACTION WOULD SUBJECT USG TO CHARGES OF "ECONOMIC SABOTAGE" BY PRESS AND PROBABLY BY GOP OFFICIALS. THIS OF COURSE MAKES LIFE MORE DIFFICULT FOR OTHER MNCS. ON OTHER HAND, OTIS FINANCIAL SITUATION UNDOUBTEDLY EXTREMELY SERIOUS AND WORKERS' ACTIONS CERTAINLY ARE COMMON OCCURANCE WHICH GOP HAS TAKEN LITTLE CONCRETE ACTION TO STOP.

8. EMBASSY AGREES WITH ADVICE THAT OTIS SHOULD AWAIT OUTCOME IOF THEMIDO CONSULTATION WITH LISBON BEFORE MAKING PUBLIC ANNOUNCEMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR STRIKES
Control Number: n/a
Copy: SINGLE
Draft Date: 19 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LISBON02778
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750175-0460
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750539/aaaabjlq.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 114602, 75 LISBON 2570, 75 2507
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2003 by BoyleJA>; APPROVED <11 JUN 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OTIS ELEVATOR
TAGS: BDIS, ELAB, PO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006